

Notice of Public Meeting of a Public Body

Sections 7.6, 7.7.4 and 7.9.1

NOTICE OF PUBLIC MEETING OF THE

Governor's Forest Health OVERSIGHT COUNCIL

Pursuant to A.R.S. Section 38-431, notice is hereby given to the members of the Forest Health Oversight Council and to the general public that the **Forest Health Oversight Council** will hold a meeting open to the public:

Thursday, September 9th, 2004, 9:30 a.m.

Arizona Department of Agriculture – Conference Room #206

1688 W. Adams - Phoenix, AZ 85007

1) Call to order: 9:39

2) Review and vote on minutes from the **8.12.04** meeting

3) Subcommittees

a. Reports

- | | |
|-------------------------------|------------------------|
| i. Utilization & Commerce – | Martv Moore |
| ii. Zoning & Implementation – | Mayor Joe Donaldson |
| iii. Legislation – | Lori Faeth (see below) |
| iv. Education – | Michael Neal |
| v. Mapping and Assessment | Kathy Hemmenway |

i. Changes were made, the next charge is the specific action/request made during Gov's conference, want to make sure each one is answered and brought before both advisory and oversight councils, would like to have it by October, parking lot concerns are given priority, happy that stewardship contract was ordered

ii. Not here.

iv. Michael Neal, Rob Smith covering. Three things focus: Update on the brochures – APS and state helped, 500,000 printed, 40,000 remain, have offer for Nav-Apache power to distribute to customers on Mo. Rim. Money – Beth Zimmerman secured FIMA money – to pay for mailing to Nav-Apache customers, negotiating cost (7-11,000 with postage), 2-5000 earmarked for Project Learning Tree, fire-wise messages to teachers. APS came forward with 5000 to help friends in Pinetop, CDs to distribute to customers. Looking ahead to spring: aggressive series of community products, select at-risk communities and work to try to go door-to-door to bring fire-wise info to every homeowner, time around wildfire academy and forest that Gov has every spring, follow up with selective demonstration projects with customers that need, those that can't afford, clear property to show what it means, give help. Visitor would like to recommend Prescott as one of the areas – first name on the list.

v. Planning to meet again in October, met since July, letting focus remain on fire season. Produced needs assessment, has handout. All ideas that have come up – prioritized for focus in the coming year. AZ Fire Map will be internet map server application to map forest fuel treatment around the state. Requests feedback on suggestion. Has FTP site to use for data exchange. Planning short workshop at the Arizona Geographic Info Council at end Oct in Prescott, will present. Land Fire Project having workshop end Oct to work on mid-scale assessment for Northern AZ. Has contact info.

Question from Rob Davis – what is the geographic scope of Land Fire Project? Everything except the southern desert, two regions that cover most of AZ. Later on planning on doing rest of AZ.

Kirk R. says AZ is in first cut of 5 year project, lands are prioritized really well. Will get brush lands map as quickly as any other state.

Rob D. – What is the projected deliverable? Last thing said it would come out next summer, haven't decided exact scale, will know a lot more after Oct workshop.

4) Community Wildfire Protection Plan at work in the City of Flagstaff (PowerPoint)

a. Mayor Joe Donaldson

Presentation by Jim Wheeler, assistant fire chief in Flagstaff – has draft plan

- undertaken by Greater Flagstaff Forests Partnership (Steve Gatewood in attendance) and Ponderosa Fire Advisory Council
- focus on the Greater Flagstaff Wildland/Urban Interface – 180,000 acres, inc. private and state lands
- HFRA/CWPP Requirements recap – recommends strategic measure – “the gate for possible future federal appropriations”
- Five areas of the community – Flagstaff, Parks/Bellemont, Mormon Lake, Munds Park, Sedona/Oak Creek Canyon, used municipal boundaries, neighboring fire districts to define
- Existing projects: Woody Ridge, Kachina Village, Mountaineer, A-1 Mountain, Fort Valley – the W/S side
- Fuels crew for 6 years, have treated 6000 acres so far, don't limit to municipal boundary
- Steps of plan to develop: decisions, involvement of feds, engagement of interested parties, establishment of map, risk assessment, priorities, develop the plan, now in finalization stage
- Gather data: had Forest ERA to utilize, in absence of data, would use ½ from north, 1 ½ from south to get threat map (low, moderate, high risk), has data on “threat by ownership” – high at 135,000 acres of approx. 1 million acres surveyed
- Defining treatments: Low Intensity, Intermediate Intensity, High Intensity, Light Burn, Heavy Burn, like to leave to local area management
- Priority area: 197,333 acres
- Predicted Treatment: can show that they can reduce active fire behavior by 90% - idea of how to modify fuels to accomplish goal
- Hypothetical cost: depending on level of treatment, 123.9 M
- Plan: community engagement in CWPP development, confirm that this is the appropriate W/UI boundary, would like to finish, approve, adopt, collaboration continued with forest service
- Proposed timeline: October submit to leadership boards for approval, November consideration by City of Flagstaff and Coconino County, to get to AZ State Land Dept, Early 2005 implementation
- Contacts Steve Gatewood (226-0644), Paul Summerfelt
- Question from Lori – resources available to start implementing by 2005? Have some in Flagstaff area, loggers, local vendors, resources of Forest Services, fire dept, outside contractors, etc. Need more, the utilization side – are studying coordinated supply. CWPP – some areas coincide, but HFRA hasn't really been funded, need federal money coming down.
- Question from Rob Smith – 197,000 acres of W/UI, \$635/area, how get money? Federal appropriations, private sector, need combo of two. How much can you get done in 1 year? Depends on money, where contractors are willing to spend time. Poised to move quickly. Coconino has been doing about 16,000 acres per year, proposing even more. Doing about 4-5000 in area/year.

5) Pine-Strawberry Fire Station, Wildfire Awareness

a. Captain Mike Brandt (PowerPoint)

- Have CD that matches with website mentioned earlier for homeowner's benefit
- Wildfire in March – not following same “program” – emphasized man's influence on fire, ways it's been used, Early Back Burns of Native Americans
- U.S.F.S. 1905, 10:00 a.m. rule, start of big fuel build-up
- WWII and USFS mobilization of support, used Bambi, Smokey the Bear, how fire prevention works
- Needs of wildfire: topography, weather, fuel

- Property Owner Campaign: Billy Brushwacker says to eliminate ladder fuels, much a bunch for lunch

6) Discussion of legislative recommendations developed by the Industries of the Future (IOF)

a. Marilyn Hill, Special Projects Administrator (PowerPoint + handout)

- Discussed mission, goals, and plan for the IOF; Rob Davis takes over
- Forestry Industry group – comprised of industries, looking at how improve/promote forest products
- Recommended changes and additions to HB 2549:
 - Qualifying of a Business (41.1516 page 3 line 44) (IOF Rec #1) – looking at changing to business that does engage in transport and harvest of biomass, not just initial process, modifying to require that biomass sources must originate within this state. Business must employ at 3 FTE-equivalent employees. Suggested setting maximum instead of a minimum, though IOF feels need for minimum as well. Policy committee concerned about “FTE-equivalent.”
 - Mr. O'H: will make recommendations, work with IOF, make them acceptable to this council and others, will go through lengthy process to come up with legislative packet, suggests going through unless anything comes up as red flag
 - Ron thinks it might be difficult to sell to businesses why we're controlling them in the min/max employee way. Kirk says that the upper cap would provide for a maximum extent and that then we wouldn't ruin the tax structure permanently. The lower cap would be in place to include the legitimate start-up businesses. Ron believes that we'd be messing with the free enterprise system. Diane would like to make a note of all these comments to send back to the policy committee for reworking. Mr. O'H says that as we get into the incentives, we get out of the free market anyway.
 - New definition for “biomass” (41-1516 G1 page 5 line 30-34): means FIBER FROM THE HARVEST OF TREES FROM forest RESOTARTION PROGRAMS AND FUEL REDUCTION PROGRAMS AND INCLUDES... Rob Davis comments that when we look at defining where it comes from, we're looking at something for a different purpose – thus difficult to use federal definition, if we want it just to apply the forest. Rob Smith comments that the definition doesn't direct it toward small diameter stuff, stuff within Arizona. The definition of forest restoration is whatever the forest service wants to do. If we're trying to promote what really needs to be done, we need to work in the incentive for the forests that really needs help, the small stuff. Would like to find a way to direct it toward target. Rob Davis disagrees – doesn't know that the legislation is the place to define it, thinks forest service will find a way to define based on parameters of legislation. Rob Smith says that he's heard from the forest service that the great programs that have been effective apply to the large stuff, the forest service is crafting proposals on mix trees. Kirk notes that the policy committee tackled this issue (notes, #14): state in a purpose section of the legislation, refer back to new economic principles subcommittee. Diane notes that you don't want to have a situation where somebody harvests big stuff on a subdivision and the plant can't use it. In theory, you have to write it not to prevent using something for legitimate reasons.
 - Adjusted definition for “processing.” No more “initial,” no more “the first change,” just “change.”
 - Delete “initial processing does not include consumptive use or burning” – initial legislation precluded consumptive use or burning.
 - Broadens inclusions in “qualifying equipment” – anticipating new technology, but still leaving structure
 - Marty comments that policy committee needs to be looking at what “qualifying equipment” was written to NOT include
 - Qualifying for Credits for Employment (3 FTE-equivalents)
 - General Recommendations – simplifying the certification process (make a single process), consistent usage of the W/UI throughout the bill
 - New Issues – investment tax credits for wood processors, trying to determine a way that an investment in a new facility would keep the qualification (Diane says that we need more analysis of feasibility), based on fiscal situation of the state, Mr O'H notes that we should look at both sides – what happens to tax credit and what happens if we don't do it)
 - New Issues, cont. – Provide sales tax to retailers for products sold using AZ forest materials, promote more research at state universities in small wood utilization, market and value-added opportunities (Ron does not believe that necessarily should be limited to universities, mentions community colleges, etc.)
 - Kirk would like a motion for all items 14-23 to be pursued by the policy committee. Motion to pursue.
 - Mr. O'H would like to indicate that the policy committee should look at bringing in Dept. of Commerce, Revenue, League of Cities and Towns, CSA, IOF to make sure that we have a team to put legislative package together that represents all stakeholders. Need to do over the next several weeks, can't wait. Suggests first part of November as goal for legislative packet. Emphasizes the importance of research.
 - Diane suggests on behalf of Lori that she'll work to put together a meeting in the next couple weeks, representatives to further work on economic portion of the bill. Would like to talk to Steve Gatewood about N. AZ side.
 - Mr. O'H wants team of people to start working at the beginning of next week, make recommendation

to Lori about who those members should be.

- Rob Smith would like to work toward moving it to be more than ½ of AZ trees. Taxpayer incentives should go toward work done with AZ products, should be more toward 100%. Mr. O'H would like to retain the ability for industries to maintain supply lines – can't be quite 100% just because of the risk. Jim Wheeler agrees with Mr. O'H.

- Motion to refer back to policy committee with idea to talk to Lori immediately. Not endorsing, saying we will continue to talk. VOTE aye.

7) Recommendations for 2005 legislative session, Lori Faeth – packet

a. Review recommendations from the policy subcommittee meeting of 9/2/04

- Current code from 1988; state fire safety committee looking at 2000 code, safety factor, pursue amending state fire marshal statutes. VOTE aye

- Wildland/Urban Interface Code – not addressed last year. VOTE aye

- Mr. O'Halleran – brings up mandates on cities and towns and counties, need to work with them.

- Jim Wheeler – issue is that most regulation compels cities and towns, some communities have great deal of success following education model, whether the enforcement model works/resolves, local control, ability to amend existing W/UI codes, difficult to amend something downward, would like to address that local code

- Fire Marshall would adopt code within one year, recommendation to repeat. VOTE aye. Is one year realistic?

- Jim W.: Current made up of structures that don't have to use W/UI at all, expand committee to take it under consideration, might take time to educate on cost and benefits associated with model codes, in order to establish an effective minimum, and not an onerous minimum

- Mr. O'H suggests two years with dates to report back to Governor – VOTE AS AMENDED aye

- Action for further analysis needed rather than pursue legislation

- Diane V.: Do we have a game plan for this analysis?

- Marty: Understanding that Sally Bender and County Supervisors would be involved on better comprehending this, Marty and Ron C. volunteer

- Kirk Rowadabaugh takes over

- Changes State Fire Safety Committee to include others – legislation this year created separate distinct committee – would like to go back to expanding State Fire Safety Committee to have W/UI expertise. VOTE aye

- 6. "Meatiest issues" – allows counties authority to maximize firefighter safety, protecting homeowners. VOTE aye

- 7. Pursue further analysis, no legislative action at this point.

- Diane V. asked for willingness to give further analysis. Mr. O'H volunteers to take a leadership role in this

- Kirk mentions that HB 2539 makes recommendations

- Ron says CSA will follow-up

- Question from Marty - Would it be appropriate to agree to send a letter from this council indicating prior issues, would like to work together and engage CSA, League of Cities and Towns – work with them to help draft this? Yes. Requests motion. VOTE aye. Marty and Diane to work together to draft.

- Mr. O'H suggests two letters – one for long-term issues, the other about the legislative plan, quicker need

- 9. Establish another subcommittee to make more recommendations. Anyone want this to remain a recommendation?

- Marty: Suggests that the Growing Smarter group (if it still convenes) that they researched and made recommendations, may be appropriate to contact

- Diane: Send this back to policy to meet with insurance, find out more

- 10. Incentives for businesses to help with community and fire. Policy didn't make a recommendation.

- Marty believes that the discussion in policy was specific to the incentives in current language in the law, wanted to go a different direction, actually incentivize

smaller businesses as well as the medium and large, looking to switching from minimum employee numbers to maximum – pass for later

- 11. Tax credit for homeowners. Believes that it is being pursued – the Governor can handle through executive action? State-funded buildings, etc. Looking at rulemaking consequences, etc. Still contemplating for executive order right now. Marilyn and Kirk working on grant.

- Mr. O'H: while executive order would work for state buildings, doesn't deal with private sector, including homeowners and major industrial factions, need legislative action. Thinks this issue should be tackled head-on, bring cities and towns in, tax credit will be on property or income tax side, get to meat of issue, longer we wait is worse.

- Diane moves that we do pursue tax incentives for using wood pellet for homeowners, policy to determine fiscal impact for other. Seconded. VOTE aye

- 12. Amend legislation to delete language that directs state forester to intervene in court cases. Motion + second, especially that these activities are a distraction, potential fiscal impact. VOTE aye.

- Kirk unsure what lines 19-23 of bill refers to. Diane confirms that they refer to state forester – has elements of previous issue (#12), felt some of info exchange was outside of activities of state forester and can be accomplished through partnership with universities, etc. Makes motion + second. VOTE aye.

- Skip to Marilyn Hill's presentation – covers the info.

- 4 remaining items. 24 refers to injuries sustained – no mechanism to allow the state to continue to support recovery of inmates. Recommendation that healthcare be extended. Motion + second. VOTE aye.

- 25 refers to limited number of inmates (Level 2) to do the work. Many states incentivize inmates who participate on hazardous fire crews (commute 1 day off sentence, boost wage, or Level 2 inmates can choose where to work) – pursue in AZ

- Marty asks what a Level 2 inmate is – nonviolent, level of supervision is far less, has had only one incident in years doing this, relatively scarce for these kinds of jobs

- Motion to analyze/weigh recommendation + second. VOTE aye.

- 26 refers to air quality issues – should be the same for biomass as it is for fossil fuels. Just with regard to air quality. Biomass would be regulated at the same level as a fossil fuel.

- Marty comments that in policy committee the two sides: one side is that there's more scrutiny and regulation, other side is that it'll act as an incentive to biomass, showing the positive side to biomass. Will it be a regulatory change needed, a legislative change needed? Taylor confirms that it is a state regulatory issue. As it stands, biomass-to-energy is regulated as an unclassified source, with low standards. Mr. O'H requests a presentation on this issue in this committee by ADEQ or the industry or whoever.

- Requires further analysis.

b. Approve recommendations

c. Strategy, legislative workshop to be sponsored by the Greater Flagstaff Economic Council and the Greater Flagstaff Forests Partnership. Other locations?

d. Identify timeline for developing the next set of comprehensive recommendations from the Council

8) Environmental Portfolio Standards

a. Review and approval of letter from the Committee to the Corporation Commission

Steve says they're supposed to have their staff report out, have to by end of year, probably after election. Outside window to provide input: mid-to-late September. Letter to Commissioners sets great foundation.

Comments? Mr. O'H says that the Commission at least was looking at expiration date/surcharge as ways to dealing with issue in portfolio – I don't know that we have enough info to make a decision that wouldn't be counter-productive. Ron agrees – unless there's forest activity, real problems that must be overcome before we can make that recommendations. Jim agrees – might not be advantageous to specify, soften paragraph to say "consider increase in portfolio percentage." Lori supports giving them a number to short for, AZ is low

– suggest a goal and a timeline to achieve – would create a greater opportunity for biomass to help meet the goal. Marty asks are we asking them to include a percentage increase in current rulemaking, or are we asking them to initiate a new rulemaking? Steve says that the increase is included in the workshop. Kris Mayes indicated that the staff report would probably recommend 7-8%. Suggests recommending that percentage be increased, number is up in the air, do not want to infringe on solar. Jim says that Greater Flag Forest Partnership has spend thousands of dollars, and by far the number one change is the elimination of the sunset date, which is the critical key. Agrees with Lori philosophically, but advocates a softer perspective. Rob Davis says power companies are sitting and waiting, and if there's not a goal, there's no incentive for them to do anything. Would like to see language as energy being looked as thermal and electrical. Jim would like to add "and jobs" to last paragraph.

Consensus on anything but hard number, Diane would like to see 10% -- nobody takes biomass seriously without setting the bar. Jim not opposed. Rob Smith agrees – this is not legislation, indicates support for an aggressive increase. Mr. O'H says in light of Mr. Spitzer's info, we should head in that direction. No objection to 10% voiced.

Marty – small diameter biomass material will be piled and burned, when it certainly could be used – would Council want to consider some type of communication to feds – put on next agenda

Motion to approve letter with changes to be approved by email. VOTE aye.

9) Status of Executive Order establishing the position and office of State Forester

10) Forest Service presentation on White Mountain Stewardship Contract (PowerPoint)

- a. Kate Klein, Apache Sitgreaves District Ranger
 - b. Process, criteria, and timeline for bid award, and
 - c. Vision of the role of collaboration in decision-making surrounding both bid awarding process and subsequent determination of acres and treatment
- 10-year contract to accomplish landscape level vegetation treatment – different, usually have 1-5 year contracts
 - Allows to offset cost of doing work in the woods with the value of merchantable trees
 - Focus on reducing threats of wildfire and improving forest health
 - Recap of process to determine contract award. Hoped for economic growth to area in long-term. "Best Value to the Government" – awarded to Future Forests Limited Liability Corporation
 - Key contract features: indefinite quantity (through issued task orders – guaranteed at least 5000 acres/year, allows to go up to 25,000 acres/year), incorporates a sub-contracting plan that utilizes existing local businesses and resources
 - Contract bid items: value items (sawtimber, roundwood—what they'll pay us), cost items (price/green ton for biomass management), optional cost item during first 4 years of contract (not good current market for 5-9in material, recognize and give bidders a chance, hope that in 4 years time some markets will develop)
 - Diane requests an explanation of the net – in the end, we still are paying. Kate Klein: The value of the material still does not offset the cost of dealing with the biomass. In all cases, the bidders bid minimum \$10/ccf for sawtimber, \$1/ccf for roundwood. Initially we recognized we'd be paying, but one of the goals of the contract is to put up a steady supply over 10 years to produce some industry confidence. The contract has the provision that if new industry develops, we can negotiate with the contractor to lower the cost.
 - Required removal under contract: all sawlogs and all roundwood. Limbs, tops and small trees (cost item). May require removal or piling onsite, depending on markets for biomass. Normal contract specification on how to leave the forest.
 - Jim Wheeler asks if there's an element in the contract to burn? Yes.
 - Status: Contract to be signed hopefully this week, first round of task orders issued by 9/10/04. Have funding to issue between 10,000-11,000 acres for FY 2004. Total acreage around another 50,000 acres by end FY 2005. Task orders will depend on federal funding for following years.
 - Kathy Hemmenway: Isn't fire risk reduction much greater if you remove the piles on-site? Yes, but the issue is letting the piles cure. To what extent are you achieving fire risk reduction if you leave the piles on-site? The delay is about a year. Achieving immediate fuel reduction impacts, removing catastrophic crown pile issue. For the funding we have, the acceptable level of risk is much better.
 - Schedule for analysis and treatment over next 10 years, including focus for 2004-05: has hard copy of map. Objective to address fuel reduction in W/UI.
 - Recap of interface thinning in Heber-Overgaard (hydroaxe), Pinetop-Lakeside (feller buncher, skidder, chain flail debarker and chipper)
 - Multi-Party Monitoring Board requirement: 8-10 members from area, reps of state, county, local govt., tribes,

scientific community, economic interests, environmental groups, academia – has been set up and met last month

- Questions:

- Rob Smith, is there limit on size of the trees? Believes they mostly will be 16 in. diameter or less, but will be site-specific decision made for each project, until now projects may go up to 18 or 20. There are very few trees over 16.

- Jim Wheeler, do you have a prohibition on ____ pine? No, the contract doesn't specify, will come with task orders. Will be sorted out there. Emphasis is thin from below, reduce fire hazard, improve health. Majority will be "16 minus."

- Mr. O'H, how to you network as far as what you're brining to market so that the market's not flooded, your costs aren't going up in relation to market? Doesn't know that they coordinate a lot between forests. Our strategy was to bring industry that would have a ripple effect on other forests. Don't have current markets on any of the forests. Is the problem with how the federal govt. (not necessarily forest service) is creating market incentives, identifying the scope of the market? What's the federal govt. doing? Don't know that they have any mechanisms specifically such as tax credits, but they do network and work with local counties, there as a partner, don't know what the forest service can do. Marty comments that the we're going to be making a request to congressman's office. As far as marketing, the laboratory have established by the President a technology and marketing unit that is not very well known. We're encouraging getting a representative here. Kate Klein mentions the granting process, which is more indirect, but has certainly helped business.

- Mr. O'H would like to bring up with the Gov's office (Lori) that we should work more with the federal government about the need for markets, the core of the marketing issue. How do we get the most production out of the taxpayer dollar, whether it's state or federal? This legislative session should zero in on the marketing process, to identify the scope of the problem. Identify the responsibility/plan of the federal govt. We must start to push the agenda—deal with forest issues and stimulate marketplace.

- Rob Davis, thinks we have the opportunity, as this is a new thing to everybody – optimistic about the opening of the markets.

Presentation on the Northern AZ Wood Products Association (NAWPA) – passed around brochure

- formed with these goals: business, technical skills, marketing both for the group as a whole and for the individual producer and operator, develop partnerships, into training business and technology training for small businesses, technology transfer – back down to the ground level for the area, finding that we're serving need as a business-to-business connector among our members (an unintended consequence), business and management training
- accomplishments: showcase for members of products and services to general public (plan to travel to Phx, Flag, Albuquerque, etc.), next planned in Eager in October
- have received two grants, one from Four Corners Sustainable Partnerships, Forest Advisory Council
- partnerships: Little CO River Plateau, Small Business, White Mtn. Regional Development Association, Four Corners Partnerships, and others
- future: capacity building among small producers, product development
- Lori: would like to get in touch to talk about next Gov's conference, host an expo, set up time to talk
- Question: Are we pushing the fact that fossil fuels will do nothing but increase in price, and small wood pellet etc would be a way to save money? Diane says that it remains a discussion at council recommendations – our opportunity to urge the use of biomass. NAWPA members are early on to discover the economic feasibility of biomass – we do not limit ourselves to any individual using the woods or to the technology, involved in value-added technology transfer, but we're not set up to decide which technologies are going to work.
- Website with links to all members – Heather get in touch about

11) Future meeting dates and locations

a. Fall 2004 schedule

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|------------------------------|--------------------------|
| i. October 14 th | - Safford |
| ii. November 4 th | - Phoenix (confirm date) |
| iii. December | - Break |

12) Call to the Public

Herb from Holbrook -- question posed about feds can be answered by me. Utilization and marketing – we recognize it is a significant gap, next week putting a job announcement for utilization and marketing specialist to serve AZ and NM, job to do technical transfer (including small diameter material and biomass) and marketability. Have enough funding for at least two years. Always open to additional funding, would like to make 4-5 year position. Would like to build up to a core of people. Will provide job description to put on website asap.

13) Adjournment, 12:36

Dated this 7th day of July 2004 - Governor's Forest Health Councils

CO-CHAIRS

Diane Vosick – Ecological Restoration Institute, NAU

Rep. Tom O'Halleran – Arizona House of Representatives

<http://www.governor.state.az.us/FHC/>